

F. No. 354/25/2016 – TRU (Pt.-I)

**Government of India
Ministry of Finance
(Department of Revenue)
Tax Research Unit**

New Delhi, the 26th July, 2016

To,

Principal Chief Commissioners / Chief Commissioners of Central Excise (All);
Principal Chief Commissioners / Chief Commissioners of Customs & Central Excise (All);
All Director Generals of Customs, Central Excise & Service Tax

Madam / Sir,

Subject: Guidelines for Excise Audit of Manufacturers / Principal Manufacturers of articles of jewellery or parts of articles of jewellery - regarding.

In this year's Budget, central excise duty of 1% without input and capital goods tax credit or 12.5% with credit was imposed on articles of jewellery falling under heading 7113 of the First Schedule to the Central Excise Tariff 1985. Subsequent to that, the Government had set up a Sub-Committee of the High Level Committee, headed by Dr. Ashok Lahiri to interact with Trade & Industry on issues relating to procedure and compliance relating to excise duty of articles of jewellery. The Sub-Committee has given its report on 23.06.2016, which has been accepted by the Government.

2. In the context of Excise Audit of manufacturers/principal manufacturers of articles of jewellery or parts of articles of jewellery or both, falling under heading 7113 of the Central Excise Tariff Act [hereinafter referred to as articles of jewellery] the Sub-Committee has made certain recommendations, which have been accepted by the Government. Accordingly, notwithstanding anything to the contrary provided in any other circular/instructions, the following guidelines for conduct of excise audit of manufacturers/principal manufacturers of articles of jewellery or parts of articles of jewellery, falling under heading 7113 may be followed scrupulously,-

- i. No excise audit will be carried out for the first two years for manufacturers/principal manufacturers of articles of jewellery whose duty payment (cash plus credit) is less than Rs. 1 crore. However, after expiry of first two year period,-
 - a) Manufacturers/principal manufacturers of articles of jewellery paying duty below Rs. 50 lakh [cash plus credit], the proportion of units to be audited every year shall not exceed 5 per cent of total number of registered manufacturers/principal manufacturers of articles of jewellery, and selection of

such assessee shall be done with the approval of Commissioner or an equivalent rank officer.

- b) Manufacturers/principal manufacturers of articles of jewellery whose duty payment (cash plus credit) is more than Rs. 50 lakh and less than Rs. 1 crore may be audited once in every five years;
 - ii. Manufacturers/principal manufacturers of articles of jewellery whose duty payment (cash plus credit) is more than Rs. 1 crore and less than Rs. 3 crore may be audited once in every two years;
 - iii. Manufacturers/principal manufacturers of articles of jewellery whose duty payment (cash plus credit) is above Rs. 3 crore may be audited every year.
 - iv. Excise audit of manufacturers/principal manufacturers of articles of jewellery will be desk audit that is audit done in the office of jurisdictional central excise audit commissionerate. Moreover, such audit will under no circumstances involve any physical verification of stocks in the premises.
 - v. Any show cause notice to be issued pursuant to such excise audit, irrespective of the quantum of duty demanded, shall be issued and adjudicated by an officer of the rank of Commissioner.
3. Except as herein provided, all existing circulars/instructions relating to central excise audit may also apply *mutatis mutandis* to the manufacturers/principal manufacturers of articles of jewellery or parts of articles of jewellery, as the case may be.
4. Hindi version will follow. Trade Notice/Public Notice may be issued on the above lines.
5. Difficulties faced, if any, in implementation of this Circular may be brought to the notice of the Board.

(Anurag Sehgal)
Under Secretary to the Government of India